

Agency:	107 Health Care Authority
Decision Package Code/Title:	PL-EV Eliminate Basic Health
Budget Period:	2012 Supplemental
Budget Level:	PL – Performance Level

Fiscal Detail/Objects of Expenditure

	FY 2012	FY 2013	Total
Expenditure Impact by Fund:			
Fund 001-1 General Fund State	\$ (25,045,000)	\$ (23,385,000)	\$ (48,430,000)
Fund 001-2 General Fund Federal	\$ 208,000	\$ 322,000	\$ 530,000
Fund 001-C General Fund Federal	\$ (24,330,000)	\$ (42,538,000)	\$ (66,868,000)
Fund 17K-1 BH Stabilization Account	\$ -	\$ (22,000,000)	\$ (22,000,000)
Fund 172-1 BH Trust Account	\$ (13,185,000)	\$ (23,586,000)	\$ (36,771,000)
Total	\$ (62,352,000)	\$ (111,187,000)	\$ (173,539,000)

2. Staffing:

Total FTEs	(22.0)	(64.0)	(43.0)
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3. Objects of Expenditure:

A - Salaries And Wages	\$ 9,000	\$ (763,000)	\$ (754,000)
B - Employee Benefits	\$ (122,000)	\$ 295,000	\$ 173,000
C - Personal Service Contracts	\$ (43,000)	\$ (82,000)	\$ (125,000)
E - Goods And Services	\$ 314,000	\$ (171,000)	\$ 143,000
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ (62,510,000)	\$ (110,466,000)	\$ (172,976,000)
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ (62,352,000)	\$ (111,187,000)	\$ (173,539,000)

Revenue Impact:

Fund 001-2 General Fund Federal	\$ 208,000	\$ 322,000	\$ 530,000
Fund 001-C General Fund Federal	\$ (24,330,000)	\$ (42,538,000)	\$ (66,868,000)
Fund 172-1 BH Trust Account	\$ (13,185,000)	\$ (23,586,000)	\$ (36,771,000)
Total	\$ (37,307,000)	\$ (65,802,000)	\$ (103,109,000)

Recommendation Summary Text

The Health Care Authority (HCA) prepared this decision package in response to the recent OFM memo requesting proposals for reductions to General Fund-State (GF-S) expenditures of five and ten percent.

Package Description

For the purposes of this reduction package, HCA estimates approximately ten percent of the requested reductions could be achieved by eliminating the Basic Health (BH) subsidized program effective January 1, 2012. This action would create a cost avoidance of \$25 million GF-S in FY 2012 and \$23.3 million in FY 2013. An additional \$22 million of appropriated funds would also be saved in FY 2013 in the Basic Health Stabilization Account (Fund 17K).

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Direct questions related to this decision package to Christy Vaughn at (360) 412-4380 or Christy.Vaughn@hca.wa.gov.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This decision package is in response to the OFM memo requesting proposals for reductions to General Fund-State (GF-S) expenditures of five and ten percent.

Performance Measure Detail

This decision package will negatively impact the performance measures related to BH enrollment: A005 – BH Adults and A007 – BH Children

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package will negatively impact the scope of services provided in the agency's strategic plan.

Does this decision package provide essential support to one of the Governor's priorities?

This decision package negatively impacts the agency's ability to support the Governor's priority to "Improve the health of Washingtonians."

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

This decision package negatively impacts the agency's ability to support the Governor's priority to "Improve the health of Washingtonians."

What are the other important connections or impacts related to this proposal?

This decision package is in response to the August 8, 2011, OFM memo requesting proposals for reductions to General Fund-State (GF-S) expenditures of five and ten percent.

What alternatives were explored by the agency, and why was this alternative chosen?

As part of the decision making process, HCA reviewed all programs with discretionary GF-S spending within the agency. Elimination of the BH subsidized program was chosen because it would represent approximately ten percent of the Health Care Authority's total ten percent GF-S appropriation reduction. Elimination of the entire program was chosen due to the restrictions in the Special Terms and Conditions in the Transitional Bridge Waiver which thwarts HCA's ability to achieve savings through reduced enrollment in the subsidized BH program via eligibility changes.

What are the consequences of not funding this package?

Not applicable.

What is the relationship, if any, to the state capital budget?

Not applicable.

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What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

RCW 70-47-060(6) states that the HCA administrator has the authority, “To limit enrollment of persons who qualify for subsidies so as to prevent an overexpenditure of appropriations for such purposes.” Contracts with the BH health plans state, “HCA may terminate this Agreement upon 60 calendar days’ prior written notice to CONTRACTOR or upon the effective date of withdrawn or reduced funding, whichever occurs earlier,” provided 60 days advance notice of the elimination of program funding, legal and contractual obligations can be met.

Expenditure and revenue calculations and assumptions

Revenue Calculations and Assumptions:

	FY 2012	FY 2013	Total
Revenue Impact:			
Fund 001-2 General Fund Federal	\$ 208,000	\$ 322,000	\$ 530,000
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- Revenue in the Basic Health Plan Trust Account (fund 172) will be reduced when member premiums cease to be collected.
- General Fund-Federal (GF-F) revenue will be reduced when matching funds are no longer collected for eligible subsidy expenditures under the Transitional Bridge Waiver.
- HCA assumes the nonsubsidized, Washington Health Program (WHP) will continue to offer coverage to eligible Washington residents.
- HCA assumes that the WSHIP sub
- HCA assumes that coverage for the Basic Health - Health Care Tax Credit (BH-HCTC) enrollees will end in concurrence with the end of the subsidized BH program. The BH-HCTC members are covered under the same contracts with the managed care organizations and are in the single risk pool with the BH subsidized enrollees. BH-HCTC has less than 500 active members and cannot be sustained without the subsidized program.

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- HCA assumes legislative action to reduce appropriations will be taken by November 1, 2011, which would allow for program elimination effective January 1, 2012 (Coverage through December 31, 2011).
- HCA assumes communication material development and distribution costs of approximately \$100,000 will be incurred during program elimination.
- Expenditure calculations are based upon the assumption that enrollment will continue to decrease approximately 1.5 percent per month through the end of Calendar Year 2011 (CY11).
- Expenditure calculations are based upon the assumption that retroactivity will continue to be processed approximately four months following the end of subsidized enrollment.
- HCA assumes sufficient administrative funding will be retained to cover the cost of program shut-down activities and continuing expenditures for things such as unemployment, terminal leave, legal costs, contracts, and leases.
- HCA assumes record retention schedules will require HCA to continue to incur costs for the maintenance of electronic member records and system files throughout the biennium.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The cost reductions resulting from the elimination of the BH subsidized program would be ongoing and would have carry-forward level (CFL) impacts in future biennia.